

Management

Management

The goal:

to get resources together to accomplish required goals of the
business/company/facility...

„explain how to use available resources efficiently and effectively.“

Management

The management includes:

- planning,
- organizing,
- resourcing,
- staffing,
- leading or directing, and controlling

Management

Successful manager:

- dedicates much time and effort to forecasting
- needs reliable feedback to avoid:
 - recurrence of mistakes

Management

- information technology management
- financial management
- operations management or production management
- human resource management
- strategic management
- marketing management

Management

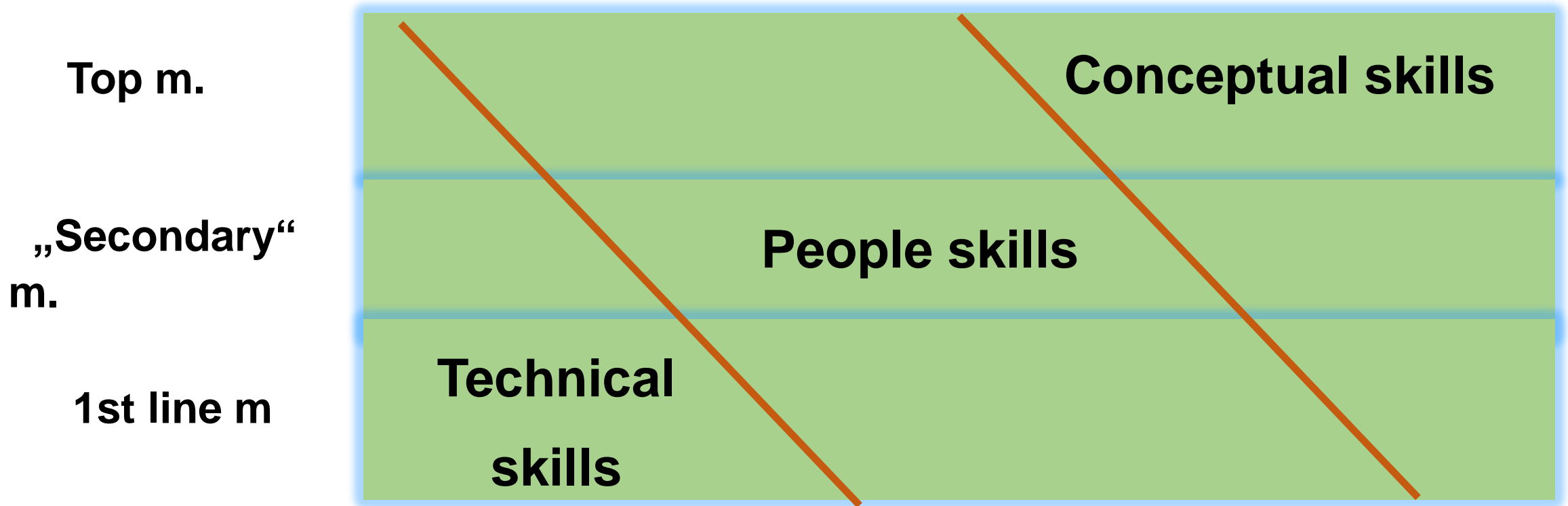
4E

1. Effectiveness
2. Efficiency
3. Economy
4. Equity

managementu classification:

- Lowest level - 1st line management - Relationships directly between staff
- Secondary
- Top level - top management, controls the whole system

Manager skills



Leading styles :

Authoritative style:

Democratic style:

“Free flow”:

Motivation

- all the inner driving forces
- our behavior and actions

NEED

- Need is something that one must or wants to have
- Unmet needs: motivate.

Motivation theory

Content-oriented

- Maslowov

Process-oriented

- Theory of justice
- Expectation theory (i.e. expectations)
- Activation theory (i.e. stimulative)

Maslow's Hierarchy of Needs

Needs - Basic social

- „Adoption“
- Status
- Safety
- Autonomy
- Linking

Theory X and Y

- D. McGregor,

Theory X

- An ordinary person prefers to be managed, to avoid responsibility.

Theory Y

- Mental and physical effort at work is as natural as play or relaxation.
- Control and the threat of punishment are not eligible to meet the goals of the organization..

Theory of justice

- Stacy Adamsen,

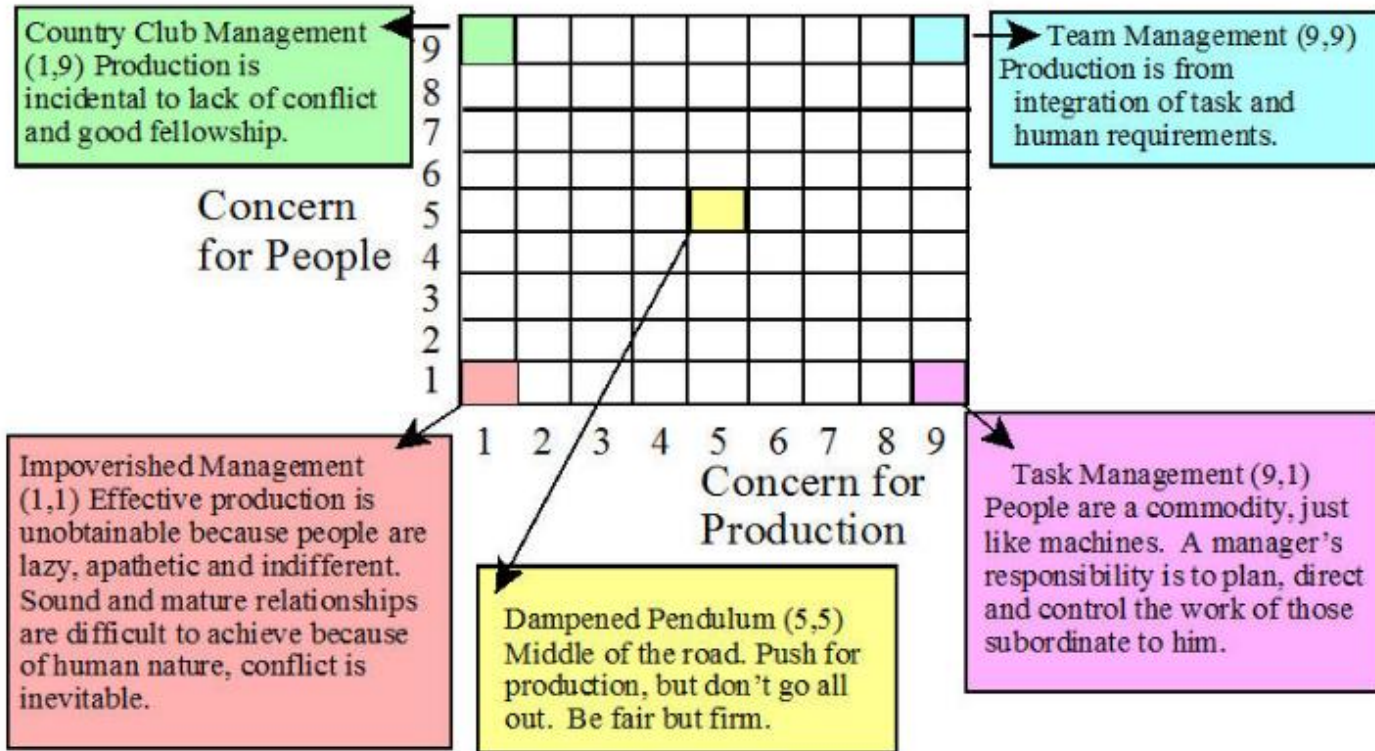
Attempts to remove injustice

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Expectations theory

- Victor Vroom,
- factors - choice, **expectations**, preferences.

Managerial Grid*



* Adapted from Blake, R. R. and J. S. Moulton. 1962. The managerial grid. *Advanced Management Office Executive* 1(9). <https://maaw.info/ManagerialGrid.htm>

Team development

- 1. group formation
- 2. Storming
- 3. Normalization
- 4. Performance
- (5th farewell)

Evaluation

- What? When?
- Methods
- Future?

Management

- Inventory management:

Management

„In an increasingly competitive business environment, where profit margins are often low, managing inventory effectively continues to be one of the most challenging issues for companies seeking to stay alive...“

Management

Inventory management strategy

Inventory management strategy

Min-max model

Inventory management strategy

Just-in-Time inventory management model:

Management

If there is discussed the environment of pharmacy practice:

- there are various types of unusual conditions, which must be take account into consideration:
 - like preparing of medicinal products – short shelf time,
 - vendors and their accessibility,
 - government influence..

Management

One of the first important information about the business is the:

break-even point:

- This term means In the economics :
- Break-even point (BEP) is the point at which cost or expenses and revenue
- are equal: there is no loss or gain.

Accounting

The accounting in the business could be described like the process of:

- analyzing,
- classifying,
- recording,
- summarizing
- AND interpreting business information for effective business decision

Accounting equation:

Assets = owner's equity + liabilities

Accounting

- Accounting system, accounting records are **owner's** of the business **responsibility**,
although usually are employed persons with needed education

In the accounting system is included information about every realized transaction...

Budget

- Budget is the detailed plan, how resources (monetary or non-monetary) will be used during a period of time.
- **Budgeting** means **the decision about allocation** of resources among competing uses.

Budget

the most important:

- Cash budget –
- Operating budget
- Capital budget

Or in accordance to the time for which was the budget created, we can name these categories:

- Short range budget
- Long range budget

Inventory management

Why is the inventory management so critical point of the business?

*„It's easy to turn cash into inventory...
the challenge is to turn inventory back into cash!“*

The goal of the inventory management in the pharmacy practice

- To ensure, that you will have **right products** in your pharmacy - in the meaning that you will have a sufficient supply of products on hand.
- **balancing of supply and demand.**
 - **! it's impossible to satisfy all customers!**

The goal of the inventory management in the pharmacy practice

How to keep costs at a minimum?

- Minimization of inventory investments
- Minimization of procurements and carrying costs

Why to keep cost at minimum?

Because too much inventory on stock means sometimes loss of profit..

But...

oo little inventory leads to:

- customer dissatisfaction
- frustration of employees as well

How to find and set „Right products“ for your pharmacy?

- usage patterns
- To set pharmacy „goals, image“
- You have to take in the account consumer information

How to find and set „Right products“ for your pharmacy?

- Check advertising
- Check official information given by government or national authorities in the country and try to anticipate their next steps
- Marketing plan

Obsolete Inventory

- i., „Dead Inventory“
- no sales or usage activity for a specific period of time.

Which costs are associated with products on store?

Acquisition costs:

The costs payed to the supplier

Procurement costs:

Include shipping, receiving, stocking, bookkeeping

Which costs are associated with products on store?

Carrying costs:

Costs inherent in the product itself

Difficult to identify

How much to order?

- You can use intuition
- Or there is scientific method of ordering:
 - The Economic order quantity (EOQ)

EOQ

- One of the best known models for inventory control
- Consider whenever there is repetitive buying pattern for a product
- Help minimize the costs associate with inventory

This method explain:

- When should an item be reordered?
- What quantity should be ordered?

The Economic order quantity (EOQ)



How to calculate Economic order quantity

$$EOQ = \sqrt{(2 \times \text{Annual usage}) \times (\text{Ordering costs}) \div (\text{Carrying costs \%} \times \text{Unit cost})}$$

Purchasing

Another question is „When to order?“

Reorder point ROP

$ROP = \text{Demand rate} \times \text{Lead time} + \text{Safety stock}$

Demand rate – it is amount of product sold within a given period

Lead time explain the amount of time it takes to order and receive products

Lead time

- Fixed lead time
- Effective lead time
- Variable lead time

Lead time

- Safety lead time
- build Safety stock
- **Safety stock:** units of inventory carried as a protection against possible of stock-out

How to control your stock and your business?

Turnover ratios:

„How fast moves“

„How frequently is the inventory sold and repurchased“

Inventory turnover rate (ITR)

$ITR = \text{Cost of goods sold} / \text{Average inventory}$

Inventory turnover rate (ITR)

High ITR – frequent usage, continued sales, could indicate profit

Low ITR – products are not being used

Most pharmaceuticals average between 8–10 ITR per year

Gross Margin Return On Investment (GMROI):

measure the operational profitability of a pharmacy

ABC method

ABC method:

- Prioritizes items into 3 levels

A: 20 % of inventory = 80 % of the costs

B: 60-70 % of inventory = about 10 % of the costs

C: 10-20 % of inventory = the rest of the costs

Purchasing policy

- The purchasing policy cannot be rigid, i.e. it must be flexible and reflect the objectives.

„Who is authorized to purchase?“

Purchasing policy

The second step is to select vendors:

- Basic characteristics of good vendors for pharmacy:
 - reliability
 - quality of products and all services
 - price of products and services
 - order-proceeding time
 - functions provided
 - long-run relationship

Purchasing policy

- To prevent stock-out?
- To be in the interest of the vendor to motivate them to offer better prices/service for your pharmacy?

We can discuss „How many vendors / wholesalers to have?“

- In general it was realized, that the best situation is if you have **two supply sources for each item.**

Inventory management and storage

By ordering you have to keep in mind the **shelf capacity**.

- principle **FIFO** – what was delivered as the first in, has to be sold first out
- Inverse system is called **LIFO** (Last In – First Out)
- to check Obsolete items
- **consignment inventory**

Inventory management - Shrinkage

In the pharmacy practice you can see loss owing to:

- Shoplifting, robbery
- Employee theft?

- Broken items

- Unknown loss

- (indirect loss)

Inventory management - Shrinkage

The prevention of loss

Partial **inventory check** which verify the amount on store

- Or at least to provide **visual control**

Inventory management - Shrinkage

- Security cameras or mirrors which display covered corners of the pharmacy
- Remove high cabinets
- Locked cabinets

„Say hello“:

Inventory management - Shrinkage

How to prevent of stock outs?

- Set up rules of inventory management and purchasing
- And follow up seasonal dispensing trends

- ideal condition for pharmacy practice seldom, if ever occur

Note:

„public procurement“

Seasonal influence

- Seasonality — fluctuations in demand that repeat with the same pattern over equivalent time periods.
- Seasonality index — consists of a number for each specific forecast period that describes the relationship of each period's demand to the average demand (level) over the complete seasonal cycle.
- The seasonality index is used to adjust the forecast to account for these cyclical changes in demand.

The average demand is represented by the number “1”.